



NEWS RELEASE

United States Senate Committee on Small Business *Olympia J. Snowe, Chair*

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SNOWE & MANZULLO: CHINA'S CURRENCY POLICY COSTS U.S. JOBS

U.S. Senator Olympia J. Snowe (R-ME) and Congressman Donald Manzullo (R-IL), Chairs of the Senate and House Small Business Committees, issued the following statements in response to the Treasury Department's report to Congress on foreign countries' exchange rate practices:

"The Treasury Department has once again failed to recognize what the evidence demonstrates: the Chinese government wrongfully manipulates its currency at the expense of American jobs. Although China continues to offer vague promises for change at some undetermined time in the future, our nation's patience has worn thin. We cannot allow China to dictate the terms and the time-frame for complying with their international obligations. We must act immediately to ensure the viability and integrity of our manufacturing industry base, which is vital to job creation and a strong national defense," said Snowe.

Manzullo added, "I'm very disappointed that the Treasury Department has again given China and others a pass on being labeled currency manipulators. Such a designation would have given our government more tools to force these countries to end their currency manipulation practices, which put U.S. manufacturers at a tremendous disadvantage and cost Americans their jobs. Congress needs to quickly pass the legislation Senator Snowe and I introduced last week to better define currency manipulation and make it easier to label an offending country and seek remedies."

In his report today, Treasury Secretary Snow said although none of our trading partners meet the "technical requirements of the statute" to be labeled a currency manipulator, the Administration will continue to "actively engage" China to float its currency. Sen. Snowe and Rep. Manzullo believe the statute is too vague and strict on currency manipulation, and that's why they introduced last week the Fair Currency Practices Act of 2005 (S. 984

and H.R. 2208), legislation which improves the process by which the Treasury Department assesses and reports upon the issue of currency manipulation.

The Act amends the 1988 Omnibus Trade Act to clarify that a country, like China, that is engaged in "protracted large-scale intervention in one direction in the exchange market," is a currency manipulator.

The Fair Currency Practices Act also amends the 1988 Omnibus Trade Act to eliminate the necessity that a country has both a significant bilateral trade surplus with the United States and a material global current account surplus, before the Secretary of the Treasury is required to enter into negotiations with the offending country to end its unfair practices. The change requires such negotiations if there is either a significant bilateral trade surplus with the United States or a material global current account surplus.

Currently, the Treasury Department, the International Monetary Fund, and others rely largely upon suspect Chinese data in determining China's trade balance with other countries. A provision in the Fair Currency Practices Act instructs the Treasury Department to undertake an exercise examining China's trade surplus. The investigation would include an analysis of why China's reported trade surplus with the U.S. and other countries differs from that reported by China's trading partners. The legislation requires that the Treasury Department submit a report of its investigation to Congress.

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